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# Economic Research Service

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A Bimonthly Newsletter for Economic Research Service Employees and Colleagues



## ERS to Host Luncheon at AAEA Meeting

ERS will host a luncheon for ERS and other USDA employees, alumni, and retirees, and ERS colleagues and their families at the summer meeting of the American Agricultural Economics Association (AAEA).

ERS administrator John Lee will give an address on "A Five-Point Plan for ERS's Next 5 Years." Also, to mark the occasion of ERS's 25th anniversary, Lee will recognize ERS alumni who attend.

The luncheon will be in the Capitol 4 Ballroom, Bally's Grand Reno (formerly the MGM Grand Hotel-Reno) at noon, Wednesday, July 30. Tickets are required (\$14.00 per person) and must be purchased in advance when registering for the AAEA meeting.

## Johnson Receives USDA's Highest Performance Award

ERS economist James Johnson received USDA's Distinguished Service Award, the Department's highest award. Johnson was recognized for distinguished leadership and creativity in developing, improving, and communicating agricultural economic indicators, and for excellence in policy analysis and research.



Under Johnson's  
leadership (as chief,

Economic Indicators Branch, National Economics Division), the quality and availability of economic indicators data from ERS have been markedly improved. ERS's Farm Costs and Returns Survey, for example, was developed by merging data

collection efforts into a survey of whole farm production and financial characteristics and practices. That effort resulted in the elimination of duplicate work for the farmers who complete the surveys and the USDA statisticians who tabulate them. Cost savings were used to expand the survey sample and generate a more statistically reliable data base. With the improved data base, Johnson and his staff have been able to do research on farm costs, returns, and income distribution, research that has received widespread recognition within the agricultural economics discipline and industry advisory groups.

## Durst Receives Superior Service Award

Ron Durst received USDA's Superior Service Award for exceptional contributions to tax policy analysis that significantly improved the public's knowledge of the effects of taxes and tax reform on the agricultural sector.



Throughout the recent tax reform debate, Durst was responsible for the preparation of a large number of staff analyses and briefings that were widely recognized for their technical accuracy and quality of communication. He also prepared Congressional testimony and participated in a departmental press conference on tax reform. His reports and briefings had a significant bearing on positions taken by the Secretary of Agriculture and enhanced the effectiveness of the Secretary in dealing with other Cabinet members and the Congress on tax issues. Durst is the leader of the Tax Analysis Section, Finance and Tax Branch, Agriculture and Rural Economics Division.

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## Soviets Visit ERS

ERS recently hosted three Soviet agricultural specialists as part of a U.S.-U.S.S.R. technical exchange program. Several ERS analysts have been to the U.S.S.R. under the program. Visiting the United States were V.R. Boev, director of the National Agricultural Economics Research Institute; B.A. Pauzha, Deputy Chairman for Agrochemicals of the Lithuanian Department of Agriculture; and A.N. Khitrov, an interpreter from the Institute of Technical and Economic Research.

ERS analyst Emily Moore led the team on a 2-day visit to Raleigh, North Carolina, including tours of a Union Carbide agrochemical facility, a local food wholesaler, and a hog farm.

ERS analyst Edward Cook took the team on visits of agricultural facilities in the Midwest. In Minneapolis, the Soviets toured the Harvest States grain cooperative (including its river grain loading facility) talked with officials at the Land O'Lakes dairy cooperative headquarters, and visited a local dairy processing facility. In St. Louis, the Soviets met with representatives of Ralston-Purina Co. and toured the company's experimental livestock feeding facility. The final stop was a visit to Farmland Industries (a farmer cooperative) in Kansas City, Missouri.

The Soviets' also met with ERS staff to discuss the U.S. grain and livestock sectors, agricultural exports, and farm prices, and the implications of the *Food Security Act of 1985*.

## More Requirements but Less Aid for Local Governments

Alvin Sokolow (786-1544), visiting professor of political science from the University of California (Davis), has found that, despite sharply reduced fiscal aid, even the smallest of rural governments will continue to be involved in a range of Federal mandates from environmental requirements (such as clean water) to Federal court decisions affecting local autonomy. Sokolow made several generalizations about local governments in a recent seminar:

- Rural local governments became participants in mainstream American federalism only in the late 1960's and early 1970's as a result of new access to grant and loan programs and the imposition of new mandates.

- Under the Administration's budget proposals for U.S. fiscal year 1987, total aid to local governments in communities under 25,000 people would decline to \$1.7 billion (down from \$4 billion in U.S. fiscal year 1985).



Herkimer County Courthouse, Herkimer, NY, where local officials are coping with less Federal aid [photo courtesy of the Library of Congress collection]

- If the general revenue sharing program is not renewed beyond the current fiscal year, about 32,000 local governments in small communities—85 percent of the total—would no longer receive any Federal aid.

## For Sale—ERS's Data

- Improved public access to ERS data is the goal of a new program to offer for sale at low cost a wide range of electronic data products of ERS on tapes and diskettes. The data have "value added" by ERS analysts who assemble, tabulate, compute, and estimate key agricultural economic indicators and statistics. Availability and ordering information for ERS electronic data products will be advertised in ERS reports and periodicals. For further information, call Kent Miller (786-1494).

## Economic Research Service Volume 4, Number 4, July/August 1986

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## **Administrator's Letter—Professional Citizenship**

As the time approaches for the summer meeting of the American Agricultural Economics Association, I am reminded of ERS's responsibilities and opportunities within the broader scientific community. We depend on that community to train the students who will become our colleagues, advance the frontiers of theory and methodology, conduct complementary research, and provide an essential link to our various constituencies. In turn, ERS is important to the various professions and institutions as an employer of a significant number of graduates, a provider of the Nation's primary situation and outlook analyses and economic indicators for agriculture, and a major contributor to agricultural policy analysis and research. We also constitute a link between those in the larger research community who generate social



science information and those who need it for informed decisionmaking at the Federal level.

At a recent ERS staff meeting, we discussed how ERS could be a more responsible and effective citizen and leader for the agricultural research community. Some suggestions included:

- More clearly articulate how ERS's role complements the roles of research, teaching, and extension by private and other public institutions.
- Build that complementarity around an information and leadership linkage, rather than around a staff and dollar linkage. Examples include more effective sharing of the ERS data base and exploitation of the potential complementarity between ERS and others (including macro-micro and national-regional complementarities) and sponsorship of common interest workshops, conferences, and symposia among researchers (for example, the land value workshops and the International Agricultural Trade Research Consortium workshops).
- Consider a "magnet center" concept for cooperative centers of focused activity to permit (1) continuity of ERS involvement by rotating staff through a center, (2) a significant leveraging of resources by participating institutions, and (3) a magnet effect for adding total resources by drawing in researchers on sabbaticals and voluntary contributing projects.
- Seek opportunities to support the professional associations.
- Cooperate with university libraries and provide leadership to the National Agricultural Library in agricultural economics literature retrieval systems.
- Expand the concept of staff exchange beyond ERS's current exchange programs with the Organization for Economic Cooperation and Development and Australia's Bureau of Agricultural Economics to include a wider range of international and foreign country institutions.
- Provide a "host" environment for professors on sabbaticals, graduate students, interns, and others whose research efforts can be enhanced by being in ERS.

We intend to explore these and other opportunities for cooperative endeavors with others to further the effectiveness of the research and education establishment. Your ideas are welcome.

*John Lee*



## Current Research

### Thailand's Feed and Livestock Industries Examined

ERS economist Sara Schwartz (786-1614) is analyzing the impact of Thailand's expanding livestock industry on that country's grain and meat exports. She is also studying Thailand's market potential for increased soybean meal imports. Here are some of her observations:

- Thailand's poultry production is expanding to meet increased demand for boneless chicken in Japan and other Asian countries.
- Hog production has become commercialized in the last 3 years.
- Domestic coarse grain use has risen in response to increased local demand.
- Until the Japanese and Taiwanese open their markets to Thai corn, prices will remain low.

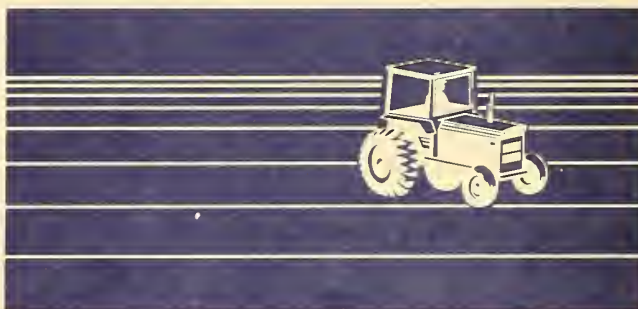
### ERS Analysts Aid USDA Implementation of Conservation Reserve Program

ERS staff are adding an economic dimension to information needed by USDA officials as they implement the conservation provisions of the *Food Security Act of 1985*. A case in point is ERS research on the effects of alternative criteria for implementing the *Act's* conservation reserve program. Under that program, farmers can contract with the Government to place highly erodible cropland in grass, trees, or other conserving uses for 10 years, receiving rent to compensate for lost income opportunities. The rent is determined through a bidding system. Initial enrollment of 3.8 million acres was accomplished by selecting bids received in March and May 1986 on the basis of low cash rents requested.

But, ERS analysts have found that cost efficiency and performance of the program could be improved if future bids are selected using more systematic criteria, each of which would affect the amount of erosion reduction and supply control achieved, the geographic distribution of program benefits, and the cost of the program. Criteria that maximize erosion savings would increase soil savings per dollar of program outlay.

Selecting bids on the basis of a cost-per-unit-of-supply-control criterion would best complement commodity programs by maximizing supply control cost savings. The most efficient option, moreover, would combine erosion reduction and

supply control in a bid selection formula that minimizes the net cost (rent minus supply control cost savings) per ton of erosion reduction. For further information, call ERS economist Anthony Grano (786-1401).



### Double Cropping in the Southeast

Economists Michele Marra (University of Maine) and Gerald Carlson (North Carolina State University) found that Southeastern farmers now double crop wheat with soybeans on nearly 30 percent of their soybean acreage, up from 20 percent in 1970. Their research, done under a cooperative agreement with ERS, is reported in *Double-Cropping Wheat and Soybeans in the Southeast: Input Use and Patterns of Adoption* (AER-552, June 1986).

Changes in wheat revenue better explain decisions to double crop than soybean prices and yields or other factors. With appropriate skills, an adequate growing season, and favorable prices, double cropping can increase farm income. The Southeast's share of total U.S. wheat production jumped from 5 percent to 10 percent during the past decade. Carryover stocks of soft red winter wheat, the kind produced in the Southeast, grew from less than 20 million bushels in 1970 to 80 million in 1984. Also, farmers who double crop typically use conservation tillage to prepare land for soybeans as quickly as possible after harvesting wheat in late spring or early summer. Conservation tillage cuts soil runoff but commonly requires greater use of herbicides, which add to potential environmental risks. For additional information, call ERS economist John Schaub (786-1469).



## Blanket Banning of Pesticides Would Hurt All

Cancellation of individual pesticides used on corn and soybeans would raise consumer prices but increase farm income—the latter due to higher commodity prices offsetting lower yields and increased production costs. But farmers and consumers would lose if most or all pesticides now used to control certain insects, diseases, or weeds are banned, and no effective alternative controls are introduced.



Those findings are reported by ERS economists Craig Osteen (786-1462) and Fred Kuchler in *Potential Bans of Corn and Soybean Pesticides: Economic Implications for Farmers and Consumers* (AER-546, April 1986). Osteen and Kuchler used an econometric-simulation model to estimate that the net economic loss from banning a family of pesticides could be over 10 times the net loss from canceling only one product in the group.

## ERS Participates in Study of African Farming

ERS researchers Brian D'Silva (786-1680) and Arthur Dommen are preparing a paper for inclusion in a study (funded by the Congressional Office of Technology Assessment) on low-resource agriculture in Africa. "Low-resource agriculture" is based on local inputs and knowledge, the least possible investment and restricting yield variability as much as possible (rather than attempting to obtain the greatest yield). Comprising a wide variety of mixed cropping and fallow rotational systems, low resource agriculture is widely practiced in Africa. Questions that D'Silva and Dommen will address include:

- What is the scope for increasing factor productivities?
- What are the needs in terms of new technologies?
- Does development of low-resource agriculture necessarily imply low-cost development assistance?

## New Measure of Trade Performance

To provide information about the magnitude and changing pattern of agricultural comparative competitiveness and noncompetitiveness, ERS

economist Thomas Vollrath (786-1705) is using a relative trade share measure called "revealed competitive advantage" (RCA). RCA is an indicator of trade performance that is related to the theoretical principles of comparative advantage and comparative disadvantage. Time series measures of the concept illustrate the dynamics of the marketplace.

RCA estimates have been made for total agriculture, food grains, coarse grains, and oilseeds for 114 countries and selected aggregate groupings for the past 24 years. A glimpse of the future has been provided through relative trade share projections to the year 2000 using regression coefficients to weight independent projections of the individual components of RCA.

## U.S.-Mexican Competition in Winter Fresh Vegetables

ERS researcher Katharine Buckley (786-1768) has collaborated with John van Sickle and Emil Belibasis (University of Florida) and Maury Bredahl and Nicholas Gutierrez (University of Missouri) on a forthcoming report, *Florida and Mexico Competition for the Winter Fresh Vegetable Market: A Cost and Revenue Analysis*.

The study assessed the cost and price advantages of producing winter fresh tomatoes, cucumbers, bell peppers, green beans, eggplant, and squash during the 1984/85 winter production season in Florida and western Mexico. Enterprise budgets and weighted average prices are used in the analysis to measure the net competitive advantage of producing each of the six vegetables and supplying U.S. winter vegetable markets.

Vegetable growers in the State of Sinaloa, Mexico, can produce the six winter fresh vegetables cheaper than Florida growers. However, import and export fees at the U.S. border increase total costs for Mexican producers to the point that they exceed total costs in Florida for all vegetables considered during the 1984/85 season, with the exception of cucumbers.



U.S. tomatoes [USDA photo]



## Personnel Notes

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### Rasmussen Retires

Wayne Rasmussen, chief historian of the U.S. Department of Agriculture, will retire in



August after 50 years of service. Rasmussen went to work for USDA in 1937, joined the history group of the Bureau of Agricultural Economics 3 years later, and has been with that group ever since (though the organizational names have changed). For the past 25

years, he has been chief of that group in ERS (now called the Agriculture and Rural History Branch).

Rasmussen is a fellow of the American Agricultural Economics Association, past president of the Agricultural History Society, founder and past president of the Association for Living Historical Farms, past president of the Society for History in the Federal Government, and president of the National Agricultural Library Associates. He received USDA's Superior Service Award in 1964 and the Department's highest award, for Distinguished Service, in 1973.

Rasmussen's years of distinguished service with USDA will be celebrated at a retirement reception in the Patio of USDA's Administration Building in Washington on July 11 from 3:30 to 6:00 p.m. All his friends and associates are welcome to attend, but reservations are required (786-1530).

### Baum Named Branch Chief

Kenneth Baum is the new chief, Animal Products Branch, National Economics Division.



He received a B.A. degree from Northwestern University in 1971, an M.A. from the University of Chicago in 1973 (working with George Tolley), and a Ph.D. from Iowa State in 1978 under Earl Heady. Baum was assistant professor in the Department

of Agricultural Economics at Virginia Polytechnic Institute and State University from 1977-80 before joining ERS in October 1980. From 1980-83, Baum worked in the Farm Sector Economics Branch. He then moved to the Economic

Indicators Branch as leader of the Farm Firm Analysis Section and, most recently, the Farm Costs and Returns Section.

Baum has authored or coauthored over 130 professional publications on a wide range of issues, participated in several professional associations, and represented ERS on numerous task forces, regional committees, and conferences. He has received USDA Certificates of Merit and ERS Administrator's Special Merit Awards for Outstanding Research (1983 and 1985) and Program Planning and Development (1985).

### Gray Named Branch Chief

Kenneth Gray is the new chief, Eastern Europe and U.S.S.R. Branch, International Economics



Division. Prior to joining ERS in June, Gray was on the faculty of the Department of Economics, North Texas State University. He has been a visiting associate professor at the University of Kansas (1979) and University of California at Berkeley

(1983/84). In 1968-70, he worked for the Peruvian Ministry of Agriculture under the auspices of the U.S. Peace Corps.

Gray founded and edited the *Newsletter for Research on Soviet and East European Agriculture*. He has written extensively on Soviet agricultural pricing, livestock and feed, and food processing and utilization. Gray spent a year (1976/77) at the Moscow Timiriazev Agricultural Academy and a semester (1981) with the Agrarian Problems Sector of the U.S.S.R. Academy of Science's Institute of Economics.

Gray has a B.A. degree in economics and Soviet area studies from the University of Kansas and M.S. and Ph.D. degrees in economics from the University of Wisconsin.

### LeBlanc Named Section Leader

Michael LeBlanc has been named leader, Policy Research Section, Natural Resource Policy Branch, Natural Resource Economics Division. He was most recently a senior research economist at Battelle Northwest Laboratories, where he led and conducted research on natural resource and energy policy issues, including analyzing the social benefits of reducing acid rain. From 1980-83, LeBlanc was with ERS's Finance and Aggregate



Analysis Branch and the energy research unit of the National Economics Division. He received the Administrator's Special Merit Award for Outstanding Research in 1983 for his work on

energy, farm input demand, and the development of innovative research methods.

LeBlanc received his Ph.D. in 1982 from Cornell University. He has published widely on natural resource and energy issues, tax policy, and capital

in agriculture, economic theory, and analytic methods.



## Surls Named Section Leader

Frederic Surls is the new leader, Commodity Analysis Section, International Aggregate Analysis Branch, International Economics Division (IED). He was most recently leader of the China Section, Asia Branch, IED, and had worked in that section since joining ERS in 1975. Surls received an M.A. degree in economics from the University of Michigan and



ERS Administrator's Special Merit Awards for situation and outlook publications and research.

## Highlights of Staff Activities

**Joseph Barse** has been named executive secretary of the Subcommittee on Atmospheric Deposition of USDA's Science and Education Committee

- **Linda Langner** and **Ralph Heimlich** gave a paper on the economics of wetlands preservation at the Freshwater Wetlands and Wildlife Symposium in Charleston, SC
- **William Boggess** (visiting economist from the University of Florida), **Beverly Fleisher**, and **Katherine Reichelderfer** gave papers at a meeting sponsored by the regional research committee on "Economic Analysis of Risk Management Strategies for Agricultural Production" (S-180)
- **Richard Nolan** presented a paper on southern nonmetro manufacturing and its vulnerability to foreign competition, and **Stan Daberkow** discussed the role of agribusiness in regional economies at the Southern Regional Science Association meeting in New Orleans
- **ERS staff** participated in a colloquium on agricultural management to protect water quality, sponsored by the National Academy of Sciences' Board on Agriculture in Washington
- **Paul Dyke** presented a paper on geographic data base management at the Inter-Center Workshop on Agro-Ecological Characterization, Classification, and Mapping in Rome, Italy
- **Paul Andrienas** is serving on a phosphate industry statistics committee to improve the industry's collection of worldwide phosphate production, consumption, and trade data

- **Linda Lee** and **Richard Heifner** have been named associate editors of the *American Journal of Agricultural Economics*
- **Lee** is also on a USDA natural resource and environment steering committee to assess ways of determining fees to charge for access to fishing and other recreation opportunities on private and public lands
- **Neill Schaller** has been appointed to the editorial board of the *American Journal of Alternative Agriculture*
- **Gerald Horner** gave a paper on salinity problems in California and

**John Miranowski** served on a wrap-up panel at a conference on agriculture and the environment sponsored by the National Center for Food and Agricultural Policy in Washington

- **Bradley Crowder** gave a paper on controlling nitrate pollution of water from farms at the Second Conference on Economics of Chesapeake Bay Management in Annapolis
- **Herman Bluestone**, **Norman Reid**, **David Harrington**, **Calvin Beale**, **Kenneth Deavers**, and **Nina Glasgow** participated in a USDA documentary film on the social and economic status of rural America
- **Deavers** also presented a paper, "The Future of Nonmetro America," to the American Demographics Institute
- **Herman Bluestone** and **Celeste Long** presented a paper, "Small Area Data as Viewed by Data Users," to the National Conference of Black Mayors in Washington
- **Bernal Green** and **Peggy Ross** presented a seminar to the Extension Service on constructing typologies of nonmetro counties
- **Susan Pollack** participated in an International Training Seminar sponsored by the U.S. Department of Labor to familiarize statisticians and researchers from developing countries with U.S. Government labor surveying techniques
- **Bruce Greenshields** met in Oxford, U.K., with the executive committee of the International Association of Agricultural Economists to plan its 1988 Buenos Aires conference
- **John Lee** met with the staff of the Food and Agriculture Program of the International Institute for Applied Systems Analysis at a conference sponsored by ERS and the International Association of Agricultural Economists in Rome, Italy
- **Terry Townsend** explained USDA's world price formula for cotton to the Universal Cotton Standards Conference in Memphis
- **James Cole**, **Jan Lipson**, **Scott Reynolds**, and **Francis Tuan** spoke on the outlook for U.S. exports for grains, soybeans, and soybean products to the Leadership

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## ERS NEWSLETTER

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### Highlights of Staff Activities, continued.

Education and Public Affairs Staff of the University of Illinois' Cooperative Extension Service • **Cole** also was interviewed by *Congressional Quarterly* about the *Food Security Act of 1985* and the future of U.S. grain exports • **Tuan** also taped two TV programs for USDA's *Down to Earth* program series on why China's livestock modernization program is of interest to the United States and on the outlook for U.S. exports to China • **Frederic Surls** spoke on China's agricultural reforms at a seminar sponsored by Rock Creek Research, Inc. • **Surls** also was interviewed by *Voice of America* and gave a seminar at Johns Hopkins School of Advanced International Studies on Chinese agriculture • **Edward Glade** and **Samuel Evans** are participating in a USDA interagency committee to develop a formula for establishing a "world price" for upland cotton and to estimate a U.S. equivalent of that price • **Rosanna Morrison** met with officials of Great Empire Trading Co. to discuss irradiation's potential as pest infestation treatment to allow Japanese lychees to be imported into the United States • **Ben Huang** met with the purchasing director of M&M Mars Co. to discuss data on supply, demand, and prices of fresh and processed fruit • **Tanya Roberts** organized a roundtable of economists to speak at FDA's Microbiological Workshop on a standardized method for estimating the costs of food-borne diseases • **Mack Leath** was elected secretary of the regional research committee on "Marketing and Delivery of Quality Cereals and Oilseeds in Domestic and Foreign Markets" (NC-151) • **Tom Fulton** spoke on the effects of the *Food*

*Security Act of 1985* on consumers on USDA's public service television program, *A Better Way* • **Fulton** also spoke on the *Act's* implications for trade at a meeting of U.S. Agency for International Development officials • **Milton Ericksen** participated in an outlook conference sponsored by the University of Saskatchewan and the Saskatchewan Department of Agriculture in Canada • **Clark Edwards** presented a paper, "Agricultural Capacity and Export Markets to the Year 2000," to the National Industry-State Agricultural Research Council • **Clifford Carman** spoke on the dairy situation and outlook at the Northeastern Dairy Conference in Syracuse • **Shannon Hamm** presented a paper, "A Practical Approach to Forecasting Winter-Fresh Tomato Markets," at a conference sponsored by the regional research committee on "Applied Commodity Price Analysis: Forecasting and Market Risk Management" (NC-134) • **Nancy Cochrane**, **Edward Cook**, and **Robert Koopman** discussed several papers at a conference on Soviet agriculture sponsored by the Kennan Institute for Advanced Russian Studies, in Washington • **Nancy Cochrane**, **Robert Cummings**, **James Jones** (visiting professor from the University of Idaho), and **Dennis Miller** gave papers on Eastern Europe and the U.S.S.R. at the Eastern Economics Association meeting in Philadelphia • **ERS staff** were members of the U.S. delegation to the Organization for Economic Cooperation and Development to discuss its agricultural trade study in Paris • and **ERS's Farmline** magazine (edited by **Ellen Banker**) received one of the top awards for quality of communication from the National Association of Government Communicators. □